

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

7-06-16
04:59 PM

Application of San Diego Gas & Electric Company (U902-E) for Approval of: (i) Contract Administration, Least-Cost Dispatch and Power Procurement Activities in 2015, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account and Transition Cost Balancing Account in 2015, and (iii) Costs Recorded in Related Regulatory Accounts in 2015

Application 16-06-002
(Filed June 1, 2016)

**PROTEST OF
THE OFFICE OF RATEPAYER ADVOCATES**

XIAN MING "CINDY" LI

Project Coordinator
The Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave
San Francisco, CA 94102
Telephone: (415) 703-1546
Email: Xian.Li@cpuc.ca.gov

ZHEN ZHANG

Staff Counsel
The Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave
San Francisco, CA 94102
Telephone: (415) 703-2624
Email: Zhen.Zhang@cpuc.ca.gov

July 6, 2016

I. INTRODUCTION

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") timely submits this protest of San Diego Gas and Electric Company's ("SDG&E") *Application for Approval of: (i) Contract Administration, Least-Cost Dispatch and Power Procurement Activities in 2015, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account and Transition Cost Balancing Account in 2015, and (iii) Costs Recorded in Related Regulatory Accounts in 2015* and its supporting testimony, Application ("A.")16-06-002.

SDG&E filed its application on June 1, 2016 and it appeared on the daily calendar on June 6, 2016. In its application and testimony, SDG&E requests that the Commission find that for the Record Period 2015, SDG&E: (i) prudently administered its generation resources and portfolio of contracts and dispatched energy in a least-cost manner, in compliance with SDG&E's Commission-approved procurement plan, (ii) reasonably and accurately recorded 2015 entries in its Energy Resource Recovery Account ("ERRA"), Transition Cost Balancing Account ("TCBA"), Local Generation Balancing Account ("LGBA"), New Environmental Regulatory Balancing Account ("NERBA"), Independent Evaluator Memorandum Account ("IEMA") and Litigation Cost Memorandum Account ("LCMA"), and (iii) procured greenhouse gas ("GHG") compliance instruments consistent with applicable standards. SDG&E requests that the Commission allow SDG&E to pursue cost recovery of the under-collection amount in SDG&E's LGBA in its 2018 Forecast proceeding to be filed on April 15, 2017 or its next Annual Electric Regulatory Update filing.

II. DISCUSSION

A. Background

ERRA is a balancing account in which the utilities record and track energy procurement costs (fuel and purchased power) against recorded revenues (ERRA revenue requirement). In other words, it tracks the difference between the authorized revenue recovered in rates and the cost of power. It is modeled after the Energy Cost

Adjustment Clause (“ECAC”) balancing account and based on Assembly Bill (“AB”) 57 (codified as Public Utilities Code, section 454.5). The first two major ERRA Commission decisions were referred to by the Commission as the “October Decision,” Decision (“D.”) 02-10-062, and as the “December Decision,” D.02-12-074, and those names are used in this pleading as well.

The purpose of ERRA is to “[e]nsure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan.”¹ To accomplish this the “Commission shall establish power procurement balancing accounts to track the differences between recorded revenues and costs incurred pursuant to an approved procurement plan.”²

The purpose of AB 57 and ERRA is to re-establish a procurement and cost-recovery mechanism after the energy crisis that occurred in California. A primary component of ERRA is reliance on compliance with a Commission-approved procurement plan.³ Investor Owned Utilities (“IOUs”) recover 100 percent of their fuel, purchased power, and other related costs through the ERRA account, provided the costs incurred are consistent with the utilities’ approved procurement plans. It is a pass-through account, and the costs are not included in the IOUs’ rate base.

Under the direction of Public Utilities Code Section 454.5, subdivision (d)(3), in the October Decision, the Commission established ERRA as the balancing account to track actual recorded energy procurement costs against the authorized energy procurement costs in the revenue requirement.⁴ Section 454.5(d)(3) states, in relevant part, that a Commission-approved procurement plan should:

[e]nsure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan. The commission shall establish rates based on forecasts of procurement costs adopted by the commission, actual

¹ Public Utilities Code §454.5(d)(3).

² *Id.*

³ D.03-06-067, p. 12 (Oct. 25, 2001); D.05-01-054, p. 8 (Jan. 27, 2005).

⁴ October Decision, D.02-10-062, p. 61.

procurement costs incurred, or a combination thereof, as determined by the commission. The commission shall establish power procurement balancing accounts to track the differences between recorded revenues and costs incurred pursuant to an approved procurement plan. The commission shall review the power procurement balancing accounts, not less than semiannually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission.⁵

The October Decision ordered that the utilities comply with minimum standards of conduct, including SOC 4, which states: “The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner.”⁶ This standard also applies to administration of contracts and generation resources in addition to Least Cost Dispatch. SOC 4 is an element of each IOU’s procurement plan.⁷ The Commission has specifically included in the procurement plans the requirement that the “utility bears the burden of proving compliance with the standard set forth in its plan.”⁸ This language was added to each IOU’s procurement plan to avoid “the dangers of this Commission agreeing to an interpretation of AB 57/SB 1976 that would remove our continuing oversight of utility operational performance and, thereby, remove the Commission’s ability to meet its statutory requirement to assure ‘just and reasonable’ rates.”⁹

B. Issues Anticipated

1. Issues in the Scoping Memo

ORA has already begun discovery and intends to conduct further discovery and review of SDG&E’s application and supporting testimony. ORA anticipates the following issues will arise in its review:

⁵ Public Utilities Code § 454.5 (d)(3).

⁶ October Decision, D.02-10-062, p. 52 and Conclusion of Law 11, p. 74.

⁷ D.05-01-054, p. 2 (Jan. 28, 2005).

⁸ December Decision, 02-12-074, p. 54 and Order Paragraph 24. See, Decision 05-01-054, p. 5; D.05-04-036, pp. 15–6.

⁹ December Decision, p. 53–4. The “just and reasonable rate” requirement is established in Public Utility Code, Sections 454.5(d)(1), (5).

- Whether SDG&E administered and managed its own generation facilities prudently (SOC 4);
- Whether SDG&E administered and managed its Qualifying Facilities (“QF”) and non-QF contracts in accordance with the contract provisions and otherwise followed Commission guidelines relating to those contracts and their amendments (SOC 4);
- Whether SDG&E used the most cost-effective mix of total resources under its control and achieved Least Cost Dispatch of its energy resources (SOC 4);
- Whether the entries in the ERRA are reasonable, including entries made in the TCBA, LGBA, NERBA, IEMA and LCMA and;
- Whether SDG&E administered its demand response programs to minimize costs to its ratepayers;
- Whether SDG&E’s Greenhouse Gas program was administered in a cost effective manner;
- Whether SDG&E’s Greenhouse Gas Compliance Instrument procurement complied with its Conformed Bundled Procurement Plan, and is consistent with Commission decisions and policies, and State laws;
- Whether the entries in SDG&E’s ERRA Greenhouse Gas subaccount are accurate; and whether SDG&E met its burden of proof regarding its claim for these entries;
- Whether SDG&E’s indirect and direct costs were incurred in a cost effective manner, ensuring just and reasonable rates for ratepayers;

As discovery continues, ORA expects other issues may arise during the course of this proceeding and reserves the right to amend this protest and/or seek other relief as appropriate.

III. SCHEDULE

ORA agrees with the preliminary determination that this is a ratesetting proceeding that may require hearings if issues cannot be resolved informally.

However, ORA reserves comment on this issue pending additional discovery and analysis.

SDG&E proposed an aggressive schedule in its application. Although SDG&E filed its application on June 1, 2016, SDG&E's responses to ORA's Master Data Request ("MDR") will not be returned to ORA until July 1st, therefore, ORA recommends a revised schedule to allow for time to thoroughly review the MDR responses and follow up with any additional discovery:

<u>Action</u>	<u>SDG&E Proposal</u>	<u>ORA Proposal</u>
Application Filed	June 1, 2016	—
MDR Responses Filed	July 1, 2016	—
Prehearing Conference	July 12, 2016	July 15, 2016
Intervenor Testimony (ORA)	August 12, 2016	October 17, 2016
Rebuttal Testimony (SDG&E)	September 12, 2016	November 14, 2016
Hearings (if necessary)	October 13, 2016	December 7, 2016
Opening Briefs	November 3, 2016	January 11, 2017
Reply Briefs	November 17, 2016	January 25, 2017
Proposed Decision (PD)	February 1, 2017	TBD
Comments on PD	February 21, 2017	TBD
Reply Comments on PD	February 27, 2017	TBD
Final Decision	March 2017	TBD

IV. CONCLUSION

ORA is protesting this application because it expects to further review various accounts and issue areas, such as UOG, LCD, contract administration, demand response program administration, TCBA, LGBA, NERBA, IEMA and LCMA and GHG procurement and ensure these are appropriate procurement costs.

Respectfully Submitted,

/s/ ZHEN ZHANG
ZHEN SHANG

Attorney for the
Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2624
Email: Zhen.Zhang@cpuc.ca.gov

July 6, 2016